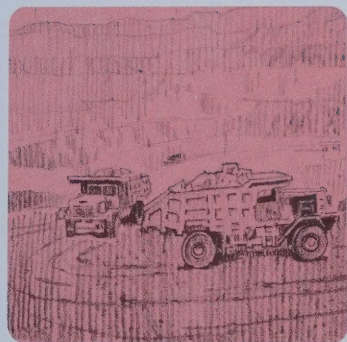
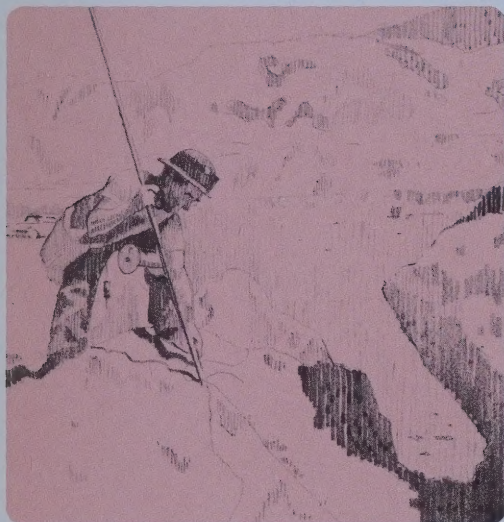
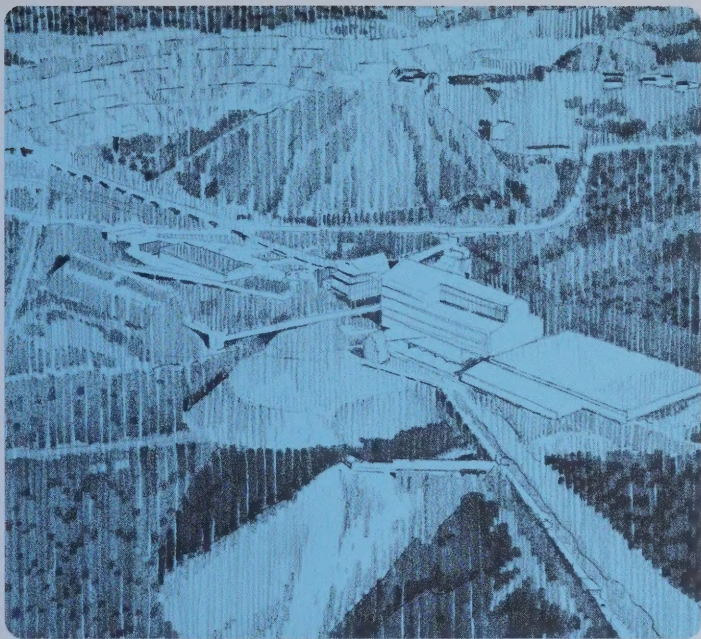
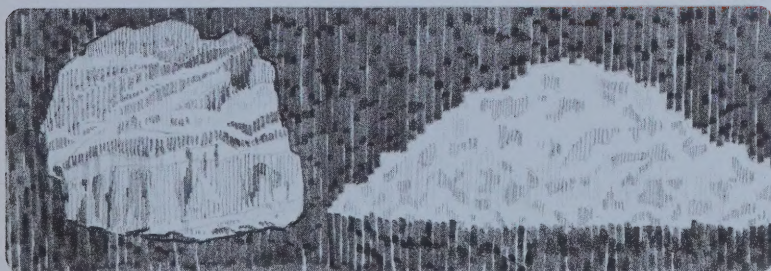


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Asbestos Corporation Limited

ANNUAL REPORT 1964

Asbestos Corporation Limited

President & Managing Director	A. L. PENHALE
Senior Vice-President	G. F. JENKINS
Vice-President & General Manager	W. W. OUGHTRED
Vice-President	K. T. DAWES
Vice-President & General Counsel	J. E. L. DUQUET, Q.C.
Special Assistant to the President	J. A. MARCOTTE

OPERATIONS DIVISION

Vice-President—Operations	C. H. McNAUGHTON
Asst. Vice-Pres.— “	P. H. RIORDON
Production Department	F. A. Cunningham, Manager
C. G. Bourne	Plant Manager, King-Beaver Mine
W. H. Foster	“ “ Normandie Mine
R. W. Little	“ “ British Canadian Mine
Product Research & Development Department	G. F. A. Brink, Manager
Exploration Department	F. E. Thurston, Manager

SALES DIVISION

Vice-President—Sales	M. P. CARSON
Sales Department	
Region No. 1	A. C. Steele Regional Sales Manager
	J. A. McCammon Asst. Regional Sales Manager
Region No. 2	A. W. G. Gibb Regional Sales Manager
	A. S. Johnson, Jr. Asst. Regional Sales Manager
	M. C. Pharo Technical Sales Manager
Traffic Department	G. R. Biron, Manager

ADMINISTRATIVE DIVISION

Vice-President—Administration	J. W. MCCARVILL
Accounting Department	G. A. McCammon, Comptroller
Industrial Relations Department	J. G. Mooney, Manager
	J. Camiré, Personnel Manager
Purchasing Department	J. Y. Paquet, Purchasing Agent

CORPORATE & FINANCIAL DIVISION

Vice-President & Secretary-Treasurer	I. C. CAMPBELL
--------------------------------------	----------------

Asbestos Corporation (Explorations) Limited

Toronto office	E. G. Robinson, Regional Manager
Vancouver office	W. G. Stevenson, Regional Manager
California office	J. H. Bright, Regional Manager

Asbestos Corporation Services Limited

Chicago Office	P. E. Leclerc, District Manager, Central District
New York Office	E. L. Alexander, District Manager, Eastern District

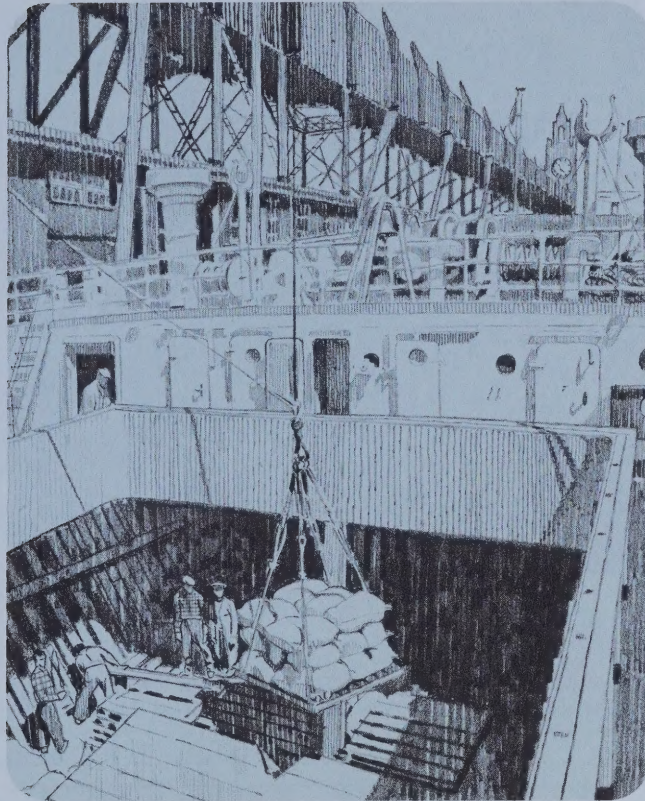
Anchor Holdings Limited

General Minerals Beneficiation Limited

Hudson Strait Asbestos Limited

Annual Report

and statement of accounts for the year ended
December 31, 1964



Asbestos Corporation Limited

HEAD OFFICE: ROOM 522, CANADA CEMENT BUILDING, 606 CATHCART STREET, MONTREAL, QUE.

Board of Directors

W. A. ARBUCKLE	J. E. L. DUQUET, Q.C.	J. R. MOONEY
PAUL BIENVENU	ANDRÉ ESENS	A. L. PENHALE
A. M. CAMPBELL	G. F. JENKINS	LT. COL. J. G. ROSS
K. T. DAWES	A. S. JOHNSON	EDWARD C. WOOD
	J. A. D. MARCOTTE	

Officers of the Corporation

A. L. PENHALE	President & Managing Director
G. F. JENKINS	Senior Vice-President
W. W. OUGHTRED	Vice-President & General Manager
KENNETH T. DAWES	Vice-President
J. E. L. DUQUET, Q.C.	Vice-President & General Counsel
C. H. MCNAUGHTON	Vice-President—Operations
M. P. CARSON	Vice-President—Sales
J. W. MCCARVILL	Vice-President—Administration
I. C. CAMPBELL	Vice-President & Secretary-Treasurer
G. A. MCCAMMON	Comptroller



SECONDARY DRILLERS IN THE OPEN PIT—BRITISH CANADIAN MINE.

	1964	1963
Income before taxes.....	\$ 5,726,871	\$2,825,424
Provision for taxes on income.....	2,722,200	899,000
Income after taxes.....	3,004,671	1,926,424
Earnings per common share.....	1.17	0.96
Paid to Shareholders as Dividends:		
1. Preferred Shares.....	185,625	—
2. Common Shares.....	2,301,491	2,300,000
Dividends per common share.....	1.00	1.15
Number of Common Shareholders.....	7,387	7,028
Re-invested in the Business.....	517,555	(373,576)*
Working Capital.....	9,277,818	9,669,820
Depreciation and Depletion.....	2,350,000	1,750,000
Total assets.....	70,882,402	44,888,886
Paid to Employees during the year.....	12,972,648	9,801,906
Number of Employees.....	1,986	1,797

() Denotes negative figure

* Reduction in earned surplus

Report of the Directors to the Shareholders

Montreal, March 5, 1965

Your Directors submit the thirty-ninth Annual Report of the Company and its subsidiary companies together with a Consolidated Balance Sheet as at December 31, 1964 and the consolidated Statements of Income and Earned Surplus for the year 1964, as certified by your auditors, Messrs. Price Waterhouse & Co.

Income for the year after all expenses but before providing for depreciation or depletion or taxes on income, amounted to \$8,076,871, compared to \$4,575,424 in 1963. An amount of \$2,350,000 was charged for depreciation and depletion compared to \$1,750,000 in 1963. Income Taxes absorbed \$2,722,200, compared to \$899,000 in the previous year.

After payment of dividends of \$185,625 on the Preferred Stock, there remained net income of \$2,819,046 for the year. For the preceding year the comparable amount was \$1,926,424. On the basis of 2,408,905 shares of Common Stock outstanding in the hands of the public this amounts to \$1.17 per common share, compared to \$0.96 per share on the 2,000,000 shares outstanding at the end of 1963.

Dividends on the common stock totalling \$2,301,491 were paid during the year and the balance of income amounting to \$517,555 was added to surplus account.

The provision for income taxes in the 1964 accounts is higher than normal in relation to the level of profits due primarily

to certain items with respect to Quebec Mining Duties applicable to the substantial reduction in inventory which took place during the year.

Having in mind the requirements for capital which will be needed in the near future for development of the Asbestos Hill project, your Directors have increased the amount of funds set aside for special corporate purposes on the Balance Sheet from \$4,800,390 in 1963 to \$6,857,496 at the year end.

During 1964, the Company made two important acquisitions. Through its wholly owned subsidiary, Hudson Strait Asbestos Limited, it exercised its option to acquire from Murray Mining Corporation Limited and Keewa Quebec Mines Limited the Asbestos Hill property in northern Ungava. Your Company also acquired the properties of the Johnson's Companies at Thetford Mines and Black Lake. Both of these transactions were referred to in the last Annual Report and were discussed at the Annual and Special General Meeting of Shareholders held in April 1964.

Plans are well advanced for the development of the Asbestos Hill property, and present indications are that this may be completed early in 1970.

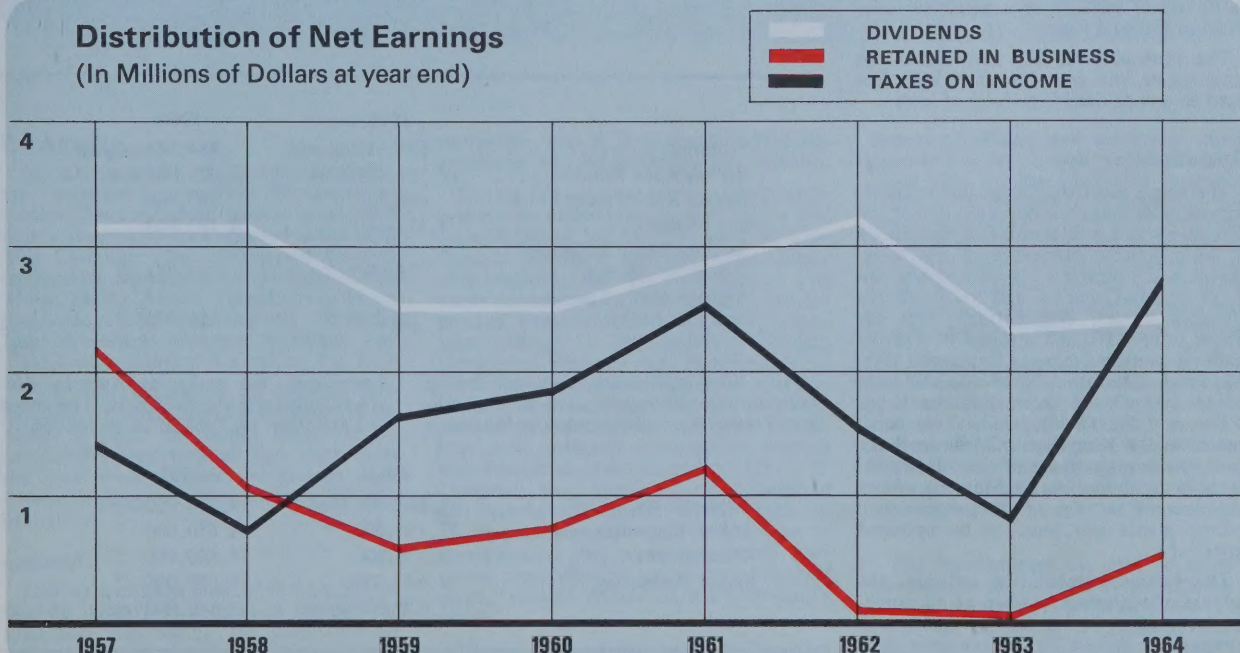
At the Special General Meeting held last April, the Shareholders approved By-law No. 36, increasing the authorized capital of your Company by the creation of 55,000

fully paid and non-assessable 4½% Cumulative Convertible Redeemable Preferred shares and Supplementary Letters Patent were subsequently granted, confirming this increase. Accordingly, the agreements whereby your Company acquired the mining properties of the Johnson's Companies came into force with effect from January 1st, 1964.

As anticipated by your Board, the acquisition of these properties has proved to be an important forward step in the affairs of your Company and is already reflected in the results for 1964. In addition to acquiring ore reserves, estimated to be at least 36 million tons, it was gratifying to find that by far the majority of the former Johnson's Companies' customers continued to purchase their requirements of asbestos fibre from us during the year. Although certain non-recurring expenses were encountered in connection with the integration of the operations, the predicted economies resulting from the physical merging of the adjoining mines were promptly realized and helped offset these additional costs. Elsewhere in this report will be found a graphic representation of the joint operation of these properties.

At the time of the integration, an organization known as 'La Société de Reclassement des Travaillleurs de l'Amiante' was jointly established and financed by the Company, the labour union and the Provin-

Distribution of Net Earnings (In Millions of Dollars at year end)



cial and Municipal Governments to provide a means for the re-employment, retraining, relocation and rehabilitation of the employees who had been laid off. This joint pioneering venture in the field of social responsibility was an unqualified success and with the cooperation of existing governmental and welfare agencies in this field, it was instrumental in helping in one way or another, more than 90% of the affected employees. Moreover, as a result of the increased scale of operations forecast for 1965, higher levels of employment are indicated which should further reduce unemployment.

Sales

The value of your Company's shipments of asbestos fibre from all properties in 1964 exceeded by 15% the combined value of the sales of both the Johnson's Companies and your Company in 1963. It should be noted however that some of this improvement is undoubtedly attributable to purchasing on the part of customers in anticipation of a selective increase of between 5 and 10% in the price of most grades of asbestos fibre which became effective on the 1st of January 1965. This price increase, the first in seven years, is considered justifiable in the light of the continuous improvement in quality and steadily increasing costs. At the same time, indications are that the strengthening demand for asbestos-cement fibres, so evident in 1964, will continue throughout 1965 and for future years.

As noted in the financial statements, amongst the assets acquired from the Johnson's Companies were their asbestos inventories valued at some \$2,214,000. The fact that the value of the resultant total inventory for your Company as at January 1st, 1964 of \$7,135,775, had been reduced to \$2,568,289 by the year's end, is some indication of the effectiveness of the sales effort in the past year.

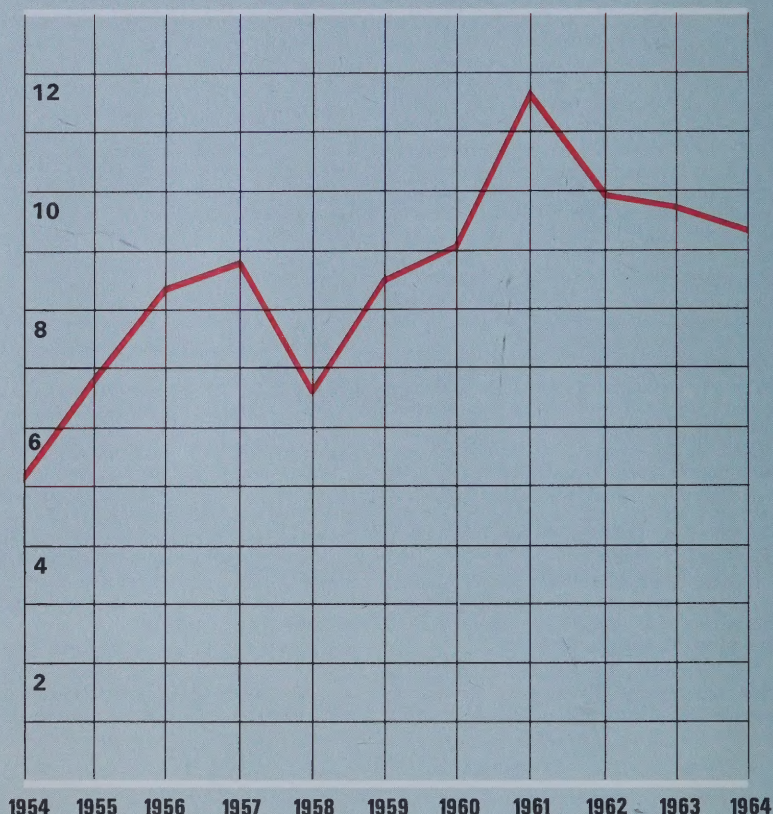
The prospects for the year ahead are encouraging and your Directors look forward to a continued high level of sales.

Operations

The single most significant factor affecting your Company's production during the past year was the integration of operations at the adjoining properties of the King-Beaver and Johnson's Thetford mines and at the British-Canadian and the Johnson's Megantic mines. Negotiations with the labour unions affected resulted in a settlement on an equitable basis. By August 15th, the former Johnson Thetford Mill was closed and all ore from both the King-Beaver and the Thetford mines was being treated at the King-Beaver Mill. At Black Lake, the mining operations of the British-Canadian and the former Megantic mines were merged but the ore preparation and milling plants continued to be operated separately.

The following tabulation indicates the volume of materials handled at all operating properties during the year 1964, with comparative figures for the previous year:

Working Capital (In Millions of Dollars at year end)



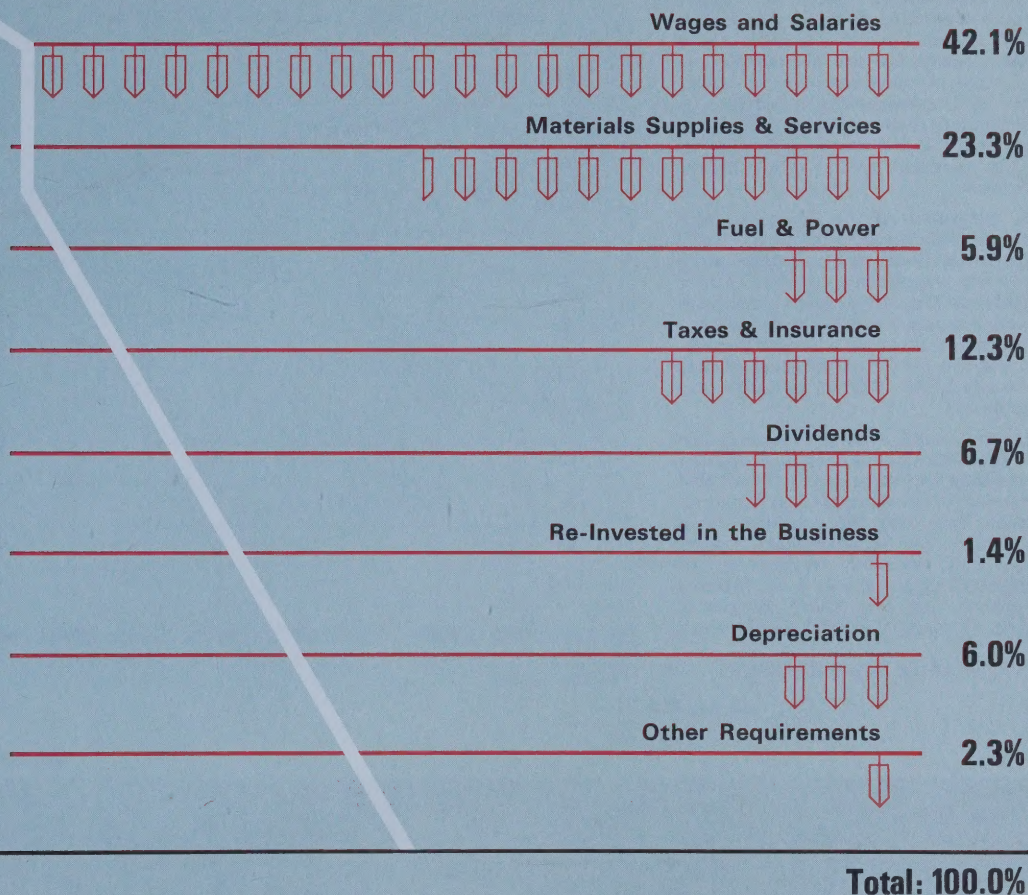
	1964	1963
Stripping.....	632,381 cu.yds.	484,340 cu.yds.
Barren Rock Mined.....	12,153,427 tons	12,026,001 tons
Barren Rock Picked.....	688,917 "	563,968 "
Ore Milled.....	5,513,110 "	4,102,648 "
Average Daily Tonnage of Rock Mined.....	73,690 "	60,954 "
Average Daily Tonnage of Ore Milled.....	22,774 "	16,204 "

After allowing for ore consumed during the year and taking into account the additional reserves acquired from the Johnson's

Companies, but excluding Asbestos Hill, your Company's ore reserves were estimated at December 31, 1964 to be as follows:

	1964	1963
King-Beaver.....	39,520,000 tons	18,740,000 tons
British-Canadian.....	57,150,000 "	44,650,000 "
Normandie.....	16,150,000 "	18,800,000 "
Other Properties.....	14,600,000 "	14,950,000 "
	127,420,000 tons	97,140,000 tons

Distribution of Income Dollar



Exploration

Your Company's wholly-owned subsidiary, Asbestos Corporation (Explorations) Limited, had an active year as more than ninety prospects were examined in the field. This Company also participated in joint exploration ventures with Baffinland Iron Mines, Odyo Mines, Temiskaming Silver Syndicate, Meakin Syndicate, Nawhitti Lake Syndicate, Norquest Syndicate and Consolidated Mining & Smelting Co. Ltd.

The most interesting of these investigations to date has been the Baffinland Iron Mines prospect on Baffin Island where 116,600,000 long tons of high grade iron ore have been outlined. At present your Company has a 6.5% interest in this property.

General

Labour contracts with both hourly and salaried employees expired at the end of 1964 and negotiations for their renewal were underway at the time of writing. Very substantial demands have been received from the syndicate representing the hourly

employees, and it is anticipated that negotiations may be prolonged and difficult.

During the year an extensive re-organization was undertaken in staff duties and responsibilities. Mr. G. F. Jenkins, formerly General Manager, was appointed Senior Vice-President; Mr. W. W. Oughtred, formerly Assistant General Manager, was appointed Vice-President and General manager; Mr. C. H. McNaughton, formerly Production Manager, was appointed Vice-President—Operations; Mr. M. P. Carson, formerly General Sales Manager, was appointed Vice-President—Sales; Mr. J. W. McCarvill, formerly Comptroller, became Vice-President—Administration; Mr. I. C. Campbell was appointed Vice-President and Secretary-Treasurer. Several other appointments were made, all with a view to strengthening the organization and providing more effective and efficient control of the various phases of the Company's affairs.

During the year the Board of Directors enacted By-law No. 38, authorizing the adoption of stock purchase plans for the

benefit of officers and employees. Subsequently the Board approved a stock purchase plan for the benefit of sixty-seven officers and employees. Under this plan, rights to purchase a total of 52,500 shares at a price of \$22.50 per share over a period of five years, have been granted to the trustees under the plan for the benefit of eligible employees. As at December 31, 1964 rights to purchase 8,925 shares had been exercised.

A Special General Meeting of Shareholders will be held immediately prior to the Annual General Meeting to sanction such By-law No. 38 of the By-laws of the Company and to sanction By-law No. 39 of the By-laws of the Company, which provides for the consolidation, revision and replacement of the general administrative By-laws of the Company.

The Shareholders will also be asked to sanction By-law No. 40 of the By-laws of the Company reducing the authorized capital of the Company by cancelling 125,020 issued and outstanding common shares and concurrently increasing the authorized but unissued common share capital by the same

number of shares. These shares were received by the Company without any reduction of its paid-up capital upon distribution of the consolidated assets of Murray Mining Corporation Limited and Keewa Quebec Mines Limited, in which your Company had an interest. The net effect of this By-law, if sanctioned by the shareholders and subsequently confirmed by Supplementary Letters Patent, will be to restore these 125,020 shares to the authorized but unissued capital stock of the Company.

The integration of the plants and staff arising out of the merger with the Johnson's Companies involved many complex problems which occupied a great deal of time and effort on the part of many employees, and your Directors would like to take this opportunity to thank most sincerely everyone concerned for the effective and efficient way in which this difficult transition was accomplished.

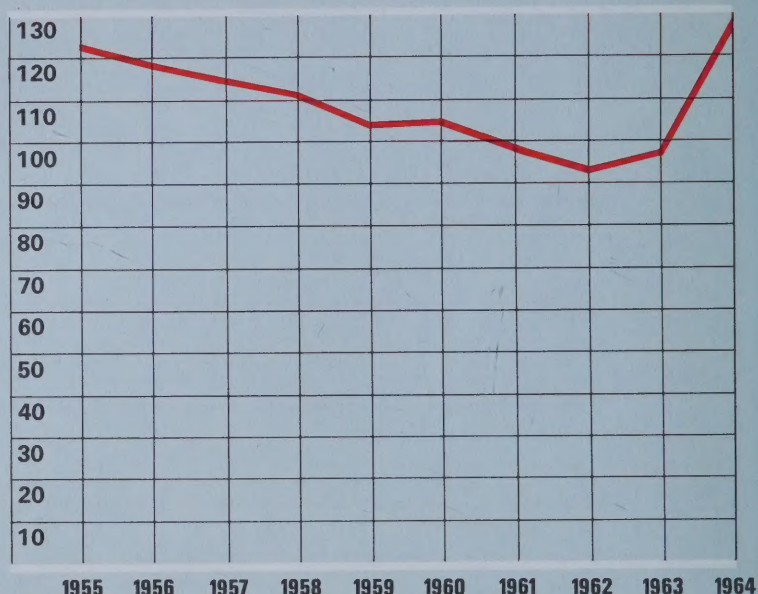
At the Special General Meeting last April, the Shareholders sanctioned By-law 37, providing for the increase in the number of Directors of the Annual Class from four to seven. Following the confirmation of such By-law by Supplementary Letters Patent, A. S. Johnson, President of the Johnson's Companies, Mr. J. R. Mooney of Toronto, and Mr. André Emsens of Brussels, were elected to fill these vacancies.

On behalf of the Board of Directors

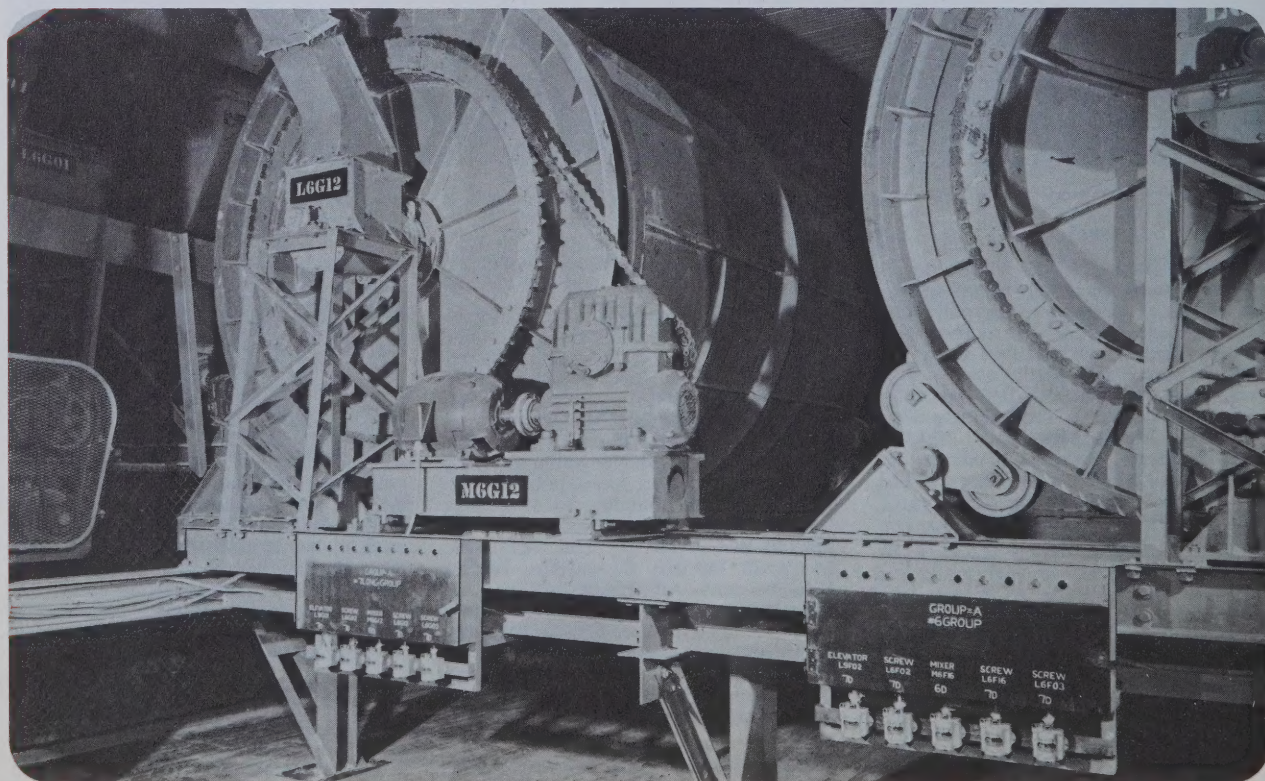
A. L. PENHALE

Ore Reserves

Millions of Tons (*Excluding Asbestos Hill*)



FIBRE BLENDERS IN THE MILL.



Asbestos Corporation Limited and Subsidiary Companies

Consolidated Statement of Income and Earned Surplus year ended December 31, 1964

	1964	1963 COMPARISON
Income from operations before taking into account the items undernoted	\$ 8,193,421	\$ 4,334,882
Income from investments	362,320	415,556
Miscellaneous income	77,618	204,690
	<u>8,633,359</u>	<u>4,955,128</u>
Executive salaries	\$ 165,380	\$ 165,167
Legal fees	32,030	15,100
Directors' fees	14,550	10,900
Exploration and prospecting expenses	344,528	188,537
Provision for depletion	150,000	—
Provision for depreciation	<u>2,200,000</u>	<u>1,750,000</u>
	<u>5,726,871</u>	<u>2,129,704</u>
Provision for current taxes on income	2,382,200	485,000
Tax applicable to future years (Note below)	<u>340,000</u>	<u>414,000</u>
	<u>2,722,200</u>	<u>899,000</u>
Net income	3,004,671	1,926,424
Earned surplus, January 1	10,759,838	11,455,117
Additional taxes on income of prior years	<u>154,776</u>	<u>321,703</u>
	<u>10,605,062</u>	<u>11,133,414</u>
	13,609,733	13,059,838
Dividends—		
Preferred	185,625	—
Common	<u>2,301,491</u>	<u>2,300,000</u>
Earned surplus, December 31	<u>\$11,122,617</u>	<u>\$10,759,838</u>

NOTE: Capital cost allowances and exploration and development costs which are being claimed as deductions from taxable income of this year exceed in total the amount recorded in the above statement. The related tax deferment of \$340,000 is treated as tax applicable to future years.

Asbestos Corporation Limited and Subsidiary Companies

Consolidated Balance Sheet December 31, 1964

Assets	1964	1963 COMPARISON
CURRENT ASSETS:		
Cash.....	\$ 662,127	\$ 1,067,420
Government of Canada securities and short-term investments, at cost..... (Market value \$2,259,000)	2,254,394	1,362,700
Accounts and bills receivable, less allowance for doubtful accounts.....	7,236,739	2,531,110
Inventories of stocks on hand—Asbestos, valued at the lower of cost or market....	2,568,289	4,921,775
Materials and supplies, at cost.....	1,817,785	1,301,130
Prepaid taxes, insurance, etc.....	164,559	259,019
	<u>14,703,893</u>	<u>11,443,154</u>
SPECIAL FUNDS AND INVESTMENTS:		
Government of Canada securities and other investments set aside for special corporate purposes.....	6,857,496	4,800,390
Shares of foreign companies, at cost.....	7,433,660	7,433,660
Employees' mortgages.....	359,765	347,811
Advance to trustees for employees' stock purchase plan (Note 4).....	159,975	—
	<u>14,810,896</u>	<u>12,581,861</u>
PROPERTIES, at cost (Note 1):		
Land and mineral areas.....	8,078,949	2,358,065
Less—Accumulated depletion.....	2,067,847	1,917,847
	<u>6,011,102</u>	<u>440,218</u>
Buildings, plant and equipment.....	44,091,501	38,072,491
Less—Accumulated depreciation.....	22,665,107	20,602,227
	<u>21,426,394</u>	<u>17,470,264</u>
	<u>27,437,496</u>	<u>17,910,482</u>
MINERAL AREAS UNDER DEVELOPMENT IN UNGAVA (Note 2):		
Mining rights, licences, etc.....	11,351,766	—
Exploration and preliminary development costs.....	4,666,619	2,953,389
	<u>16,018,385</u>	<u>2,953,389</u>
Less—Credit arising on exchange of common shares for mineral areas (Note 3)....	2,088,268	—
	<u>13,930,117</u>	<u>2,953,389</u>
	<u>\$70,882,402</u>	<u>\$44,888,886</u>

Liabilities

	1964	1963 COMPARISON
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities.....	\$ 2,821,332	\$ 1,424,211
Income and other taxes.....	2,154,743	349,123
Current portion of deferred liability (Note 1).....	450,000	—
	<u>5,426,075</u>	<u>1,773,334</u>
DEFERRED LIABILITY —payable in annual instalments up to and including 1968, less current portion above (Note 1).....	1,314,210	—
INCOME TAXES APPLICABLE TO FUTURE YEARS	<u>5,340,000</u>	<u>5,043,000</u>
PURCHASE CONSIDERATION —to be satisfied by issue of common shares annually through to 1967 (Note 1).....	<u>3,000,000</u>	<u>—</u>
CAPITAL STOCK —(Notes 4 and 5):		
4½% Cumulative convertible redeemable preferred shares—par value \$100—55,000 shares authorized and outstanding.....	5,500,000	—
Common shares of no par value—2,408,905 shares outstanding.....	24,179,500	12,312,714
	<u>29,679,500</u>	<u>12,312,714</u>
GENERAL RESERVE	<u>14,000,000</u>	<u>14,000,000</u>
SURPLUS:		
Distributable surplus.....	1,000,000	1,000,000
Earned surplus, per statement attached.....	11,122,617	10,759,838
	<u>12,122,617</u>	<u>11,759,838</u>
CONTINGENT LIABILITY:		
For US \$2,000,000 in respect of endorsement of certain notes, the payment of which is guaranteed by foreign banks.		
 Signed on behalf of the board: A. L. PENHALE, Director. KENNETH T. DAWES, Director.	 <u>\$70,882,402</u>	 <u>\$44,888,886</u>

Asbestos Corporation Limited and Subsidiary Companies

Notes to Financial Statements December 31, 1964

NOTE 1

Acquisition of Johnson's Properties:

With effect from January 1, 1964, the company acquired the mining properties, plants and equipment and operating supplies of Johnson's Company Ltd. and Johnson's Asbestos Company for a consideration of \$12,000,000 comprising \$500,000 cash, 55,000 4½% Cumulative convertible redeemable preferred shares of the par value of \$100 each, and 300,000 common shares of no par value. The shares issued and the assets acquired in respect thereof have been stated at an amount of \$11,500,000, equivalent to the par value of the preferred shares and the approximate market value of the common shares. All the preferred shares and 150,000 common shares were issued and delivered during 1964 and 50,000 common shares are to be issued and delivered on the 1st of January in each of the years 1965, 1966, 1967.

Asbestos inventories were also acquired during 1964 for which \$1,764,210 remains to be paid by instalments of \$450,000 in the years 1965 to 1967 and the balance in 1968.

NOTE 2

Mineral Areas in Ungava:

In March 1964, the company, through its wholly-owned subsidiary Hudson Strait Asbestos Limited, exercised its option to acquire the consolidated assets of Murray Mining Corporation Limited and its subsidiary, Keewa Quebec Mines Limited, represented principally by undeveloped mineral areas in Ungava and exploration and preliminary development expenditure thereon by the vendors of \$1,513,798. These assets were acquired for a total consideration of \$13,000,000, which was satisfied, in accordance with the terms of the purchase agreement, by the issue of 375,000 shares of the company's common stock issued and recorded at \$34.66⅔ per share.

NOTE 3

Credit Arising on Exchange of Common Shares for Mineral Areas:

At the time the company exercised its option to exchange common shares for the consolidated assets of Murray Mining Corporation Limited it owned 33⅓% of the outstanding capital stock of the latter company. As a result, of the 375,000 shares issued by the company 125,020 shares were subsequently reacquired upon the distribution by Murray Mining of its assets and these shares are being held by the company pending cancellation. The consideration attributable to the 125,020 shares in accordance with the value per share stated in the purchase agreement exceeded by \$2,088,268 the cost of the Murray Mining shares previously purchased.

NOTE 5

Capital Stock:

The preferred shares created by Supplementary Letters Patent dated April 27, 1964 and issued as part of the consideration

NOTE 4

Stock Purchase Plan:

Subject to the approval of shareholders, a stock purchase plan was established in 1964 under which rights may be granted to trustees to purchase with funds advanced by the company, repayable with interest, up to 75,000 of the company's common shares on behalf of a number of its officers and employees. Rights which expire over a period of five years have been granted to 67 officers and employees on 52,500 shares at a price of \$22.50 per share. At December 31, 1964 rights in respect of 8,925 shares had been exercised.

for the Johnson's properties are convertible into common shares at the rate of \$22.00 per common share up to April 30, 1974 and thereafter will be redeemable at par.

Changes during 1964 in the outstanding common shares were as follows:

	Shares	
Authorized.....	3,600,000	
Outstanding at December 31, 1963.....	2,000,000	\$12,312,714
Issued in 1964—		
As part of the consideration for the Johnson's Properties (Note 1).....	150,000	3,000,000
In exchange for mineral areas in Ungava (Note 2).....	375,000	13,000,000
On exercise of rights under employees' stock purchase plan.....	8,925	200,812
	2,533,925	28,513,526
Less—Shares received and held pending cancellation (Note 3).....	125,020	4,334,026
Outstanding at December 31, 1964.....	2,408,905	\$24,179,500

In addition to 250,000 unissued common shares reserved for conversion of the preferred shares, a further 150,000 shares are reserved for issue in respect of the acquisition of the Johnson's properties and 66,075 shares for the stock purchase plan.

Auditors' Report

PRICE WATERHOUSE & CO.

CANADA CEMENT BUILDING
PHILLIPS SQUARE
MONTREAL 2

January 25, 1965

AUDITORS' REPORT

To the Shareholders of
Asbestos Corporation Limited:

We have examined the consolidated balance sheet of Asbestos Corporation Limited and its subsidiary companies as at December 31, 1964 and the consolidated statement of income and earned surplus for the year ended on that date and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, and according to the best of our information and the explanations given to us and as shown by the books of the companies, the accompanying consolidated balance sheet and consolidated statement of income and earned surplus, with the notes thereto, are properly drawn up so as to exhibit a true and correct view of the state of the affairs of Asbestos Corporation Limited and its subsidiary companies as at December 31, 1964 and the results of their operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

We also examined the accompanying statement of source and application of funds for the year ended December 31, 1964 which is presented as supplementary financial information and, in our opinion, the statement presents fairly the information shown therein.

Price Waterhouse & Co.

Chartered Accountants.

Asbestos Corporation Limited and Subsidiary Companies

Statement of Source and Application of Funds Year ended December 31, 1964

Funds provided from net income for the year before charging \$2,350,000 for depletion and depreciation	\$ 5,354,671
Income taxes applicable to future years	340,000
Shares issued and to be issued in exchange for properties, mineral areas and other assets . .	20,165,974
Common shares issued under employees' stock purchase plan	200,812
Deferred liability after deducting \$450,000 due within one year	1,314,210
Decrease in working capital	392,002
Total, accounted for below	<u>\$27,767,669</u>
Additions (net) to properties and mineral areas under development	\$22,853,742
Additional taxes on income of prior years including \$43,000 charged to accumulated deferred taxes	197,776
Dividends paid—preferred	185,625
Dividends paid—common	2,301,491
Transfer to funds set aside for special corporate purposes and additions to other investments	2,229,035
	<u>\$27,767,669</u>



A Five Year Summary

	1964	1963	1962	1961	1960
Net Income before taxes.....	\$ 5,726,871	\$2,825,424	\$ 4,805,633	\$6,623,684	\$5,089,653
Provision for taxes on income.....	2,722,200	899,000	1,528,000	2,538,000	1,830,000
Income after taxes.....	3,004,671	1,926,424	3,277,633	4,085,684	3,259,653
Earnings per common share.....	1.17	0.96	1.64	2.04	1.62
Paid to Shareholders as Dividends:					
(a) Preferred shares.....	185,625	—	—	—	—
(b) Common shares.....	2,301,491	2,300,000	3,200,000	2,880,000	2,520,000
Re-Invested in the Business.....	517,555	(373,576)*	77,632	1,205,684	739,653
Dividends per					
(a) Preferred share (9 months).....	3.38	—	—	—	—
(b) Common share.....	1.00	1.15	1.60	1.60	1.40
Paid to Employees during the year.....	12,972,648	9,801,906	10,424,794	9,249,437	9,109,427
Number of Employees.....	1,986	1,797	1,910	1,836	1,863
Number of Shareholders.....	7,387	7,028	6,605	6,622	6,729

() Denotes negative figure

*Reduction in earned surplus



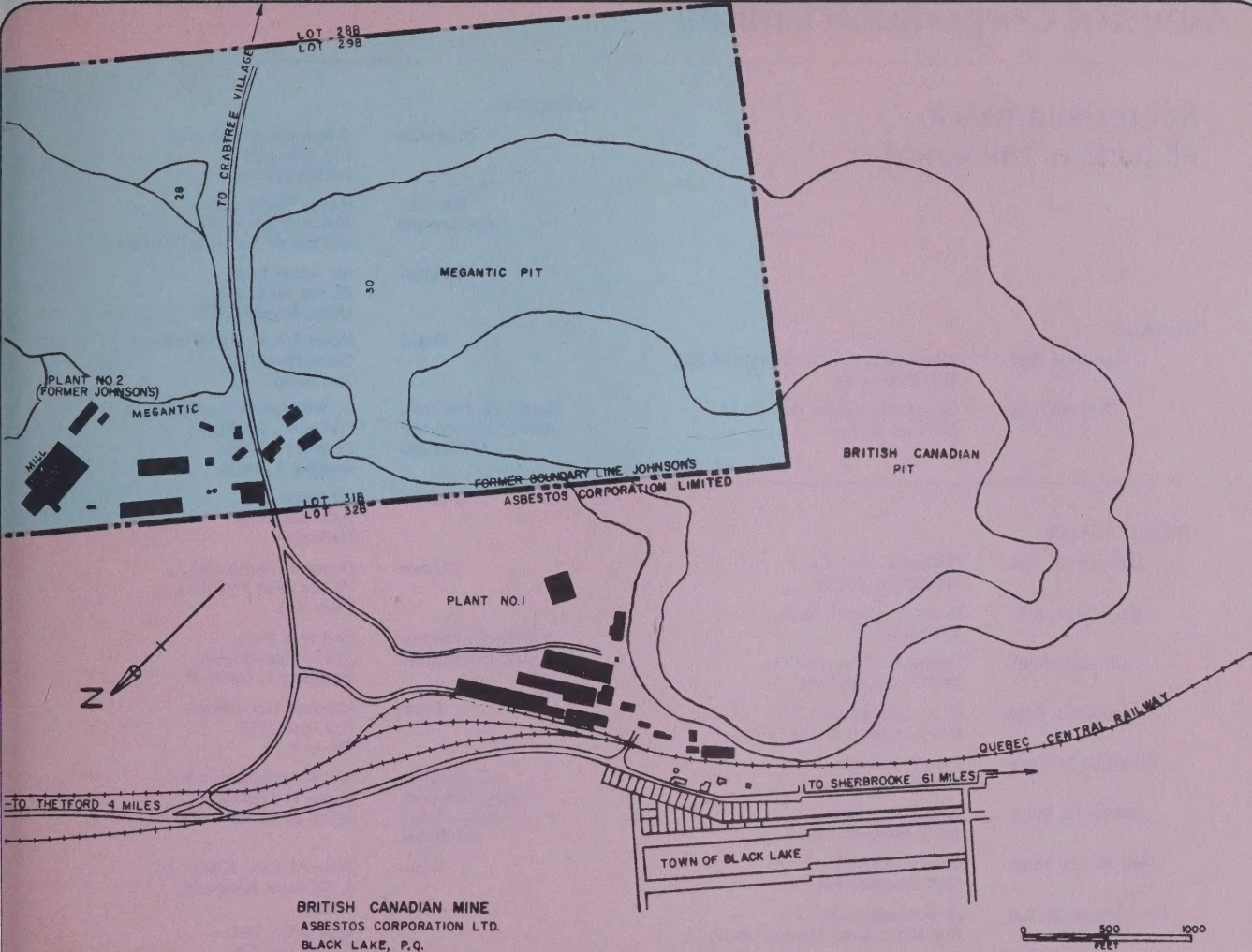


ASBESTOS CORPORATION LIMITED

KING-BEAVER LINE

0 500 1000
Scale Of Feet

FORMER JOHNSON'S THETFORD PLANT.



FORMER JOHNSON'S MEGANTIC MILL.

The maps and photographs on this, and the preceding page, are reproduced with a view to presenting in a more graphic way, the effects of the integration of the operating properties of the Johnson's Companies with those of your company.

The pink tinted areas represent the properties belonging to Asbestos Corporation at the time of the merger and the grey tinted portions, indicate the operating properties of the Johnson's Companies. The left hand page shows the King-Beaver Mine, which now comprises the King-Beaver Mine (Shaft No. 3), the former Johnson's Thetford Mine (now known as King-Beaver Shaft No. 4), the Bennett-Martin Pit, the Beaver open pit, the former Johnson's open pit, the 'C' orebody pit of the Beaver and the King-Beaver Plant. The mill and other buildings with the exception of the ore-preparation plant at Shaft No. 4, have been closed down and the King-Beaver Plant is treating ore from all mine sources.

In the case of the British Canadian Mine at Black Lake (above), the mining operations at the former Johnson's Megantic open pit and the British Canadian pit have been merged but the former Megantic Mill (now known as B.C. Mill No. 2) continues to operate separately.

Asbestos Corporation Limited

Representatives in all parts of the world

CANADA

Montreal, Que.	Albion Asbestos Packings (1959) Ltd. 2195 Ekers Ave.
Toronto, Ont.	Canadian Asbestos Ontario Ltd., 27 Front St. East.

UNITED STATES

Baltimore 2, Md.	Wallace & Gale Co., 115-119 So. Gay St.
Buffalo 10, N.Y.	James O. Meyers' Sons, 290 Larkin St.
Chicago 45, Ill.	Donald R. Fitzgerald Co., 5875 N. Lincoln Ave.
Cincinnati 3, Ohio	C. L. Zimmerman Co., C-8 Cincinnati Union Terminal.
Cleveland 11, Ohio	Carl T. Schuster Co., 3540 Norton Road.
Detroit 19, Mich.	Gerald J. Fahey, 16772 Plainview Road.
Fort Worth, Texas	Lehman-Phillips Inc., 2550 Glendale Ave.
New Orleans 26, La.	D. F. Condon Co., Box 26012, Chef Menteur Station.
New York 7, N.Y.	Whittaker, Clark & Daniels Inc., 100 Church St.
Philadelphia 40, Pa.	Charles A. Wagner Co. Inc., 4455 N. 6th St.
Pittsburg 22, Pa.	E. E. Zimmerman Co., 1704 Keenan Building.
Portland 10, Ore.	Central Solvents & Chemicals Co., L. H. Butcher Division, 2750 N.W. 31st Ave.
St. Paul 14, Minn.	MacArthur Co., 936 Raymond Ave.
Salt Lake City 4, Utah	Central Solvents & Chemicals Co., L. H. Butcher Division, 407 West, 17th South St.
Hayward, Cal.	Central Solvents & Chemicals Co., L. H. Butcher Division, 31702 Hayman St., Hayward.
Santa Fe Springs, Cal.	Central Solvents & Chemicals Co., L. H. Butcher Division, 13900 Carmenita Road.
Seattle 24, Wash.	Central Solvents & Chemicals Co., L. H. Butcher Division, 5601 First Ave. South.
Spokane 2, Wash.	Central Solvents & Chemicals Co., L. H. Butcher Division, East 844, Trent Ave.

OVERSEAS

Argentina	Gerstmann & Deutsch, P.O. Box 1599, Buenos Aires.
Australia New Zealand	Hardie Trading Ltd., 594 St. Kilda Road, Melbourne, S.C. 3, Australia.
Belgium	Jos. Ide & Fils, 10, rue Marianne, Uccle, Bruxelles, 18.
Brazil	Henri A.A.F. Van Dursen, Caixa Postal 717, Sao Paulo.
Burma, W. Pakistan, India, Thailand and Philippines	G. Williams & Co. (Pvt.) Ltd., "Advent", 8th Floor, Foreshore Road, Bombay 1, India.
Finland	Oy Esope, AB., P.O. Box 6233, Helsinki.
France	Georges Parly & Cie., 10, rue de la Pépinière, Paris (8e).
Germany, Austria, Hungary, Netherlands	Becker & Haag, 58 Ferdinandstrasse, Hamburg 1, Germany.
Israel	Manfred Gottesmann, P.O. Box 1252, Tel-Aviv.
Italy, Greece, Turkey, Lebanon, Iran, Kuwait, Libya and Sudan	Soc. Fibramianto, a.R.L., Piazza P. Clotilde, 6, Milan 501, Italy.
Japan	Tokyo Tsusho Kaisha Ltd., 5, 3-Chome Kyobashi, Tokyo. Iwai & Co. Ltd., C.P.O. Box 226, Tokyo.
Korea	Dongmee International, P.O. Box "International 1224", Seoul.
Mexico	ACOSA, Apartado 8600, Mexico 2, D.F.
Portugal	Mundial Export Corp. 500 Fifth Ave., New York, N.Y. 10036, U.S.A.
South Viet Nam, Hong Kong, Malaysia, Cambodia, and East Pakistan	International Import-Export Ltd., G.P.O. Box 2584, Singapore, Malaysia.
Spain	J. Marco & Son Export Co. Ltd., 10 Victoria St., Liverpool 2, England.
Sweden	G. & L. Beijer Import & Export AB, P.O. Box 2135, Gothenburg, 2.
Taiwan	Yah Sheng Chong Yung Kee, 198 Nan King East Road, Section B, Taipei.
United Kingdom	A.A. Brazier & Co. (Asbestos) Ltd., Newby House, 309 Chase Road, London N. 14.
Yugoslavia, Bulgaria, Roumania, Iraq and Spain	C. J. Petrow & Co. (Pty.) Ltd., P.O. Box 11000, Johannesburg, South Africa.

BANKERS: The Royal Bank of Canada

TRANSFER AGENTS: Preferred and Common Stock, The Royal Trust Company, Montreal, Toronto

REGISTRAR: Preferred Stock: Montreal Trust Company, Montreal
Common Stock: Crown Trust Company, Montreal, Toronto

GENERAL COUNSEL: Duquet, MacKay, Weldon, Bronstetter, Willis & Johnston, Montreal

AUDITORS: Price Waterhouse & Co., Montreal

ASBESTOS